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UNITED NATIONS POPULATION FUND

OVERSIGHT POLICY*

Report of the Executive Director

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* The compilation of data requested to provide the Executive Board with the most current information has delayed the submission of the present report.

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Introduction

1. Pursuant to decision 2007/29 adopted by the Executive Board at its annual session 2007, the Executive Director is pleased to submit the UNFPA oversight policy for consideration and approval by the Executive Board.

2. The oversight policy aims to strengthen UNFPA accountability, risk management and assurance processes. While establishing basic principles, the policy also defines (as requested in decision 2007/29) the specific terms and concepts, including accountability and transparency, as well as modalities of disclosure and confidentiality in the management of the operational activities of UNFPA. The oversight policy describes the roles and responsibilities of the various parties and the resulting synergies that would enable the Fund to enhance its oversight mechanisms.

3. In accordance with the guidance provided by the Executive Board, the Executive Director wishes to stress the close linkage between the Fund's oversight policy, the strategic plan, the accountability framework, the applicable administrative policies and procedures relating to oversight and personal accountability, and all measures taken to improve evaluation and measurement of results and impact, monitoring and transparency in reporting.

4. The UNFPA oversight policy has been developed taking into account General Assembly resolutions 59/250: Triennial comprehensive policy review of operational activities for development of the United Nations system; 60/1: 2005 World Summit Outcome; 61/245: Comprehensive review of governance and oversight within the United Nations and its funds, programmes and specialized agencies; and other pertinent decisions and resolutions regarding the strengthening of accountability and ethics in the United Nations system.

Part One

ACCOUNTABILITY AND OVERSIGHT DEVELOPMENTS IN UNFPA

5. The oversight function has traditionally been associated with legislative and financial accountability. The scope of oversight has over time been enlarged to address controls regarding aspects of risks, relevance, effectiveness, efficiency, and impact of operations. Oversight constitutes a set of activities in which internal and external bodies provide assurance to the Executive Director, the Executive Board and other concerned parties that there are reliable and cost-effective systems of internal controls ensuring that:

- UNFPA activities are in accordance with its legislative mandate and the policies adopted by the General Assembly, the Economic and Social Council and the Executive Board (organizational accountability);
- The funds provided to UNFPA are fully accounted for and used in full compliance with programmes or project agreements (financial accountability);
- The activities are conducted in the most efficient and effective manner and programme overlaps, duplications and inefficient use of resources are avoided (operational accountability);

- Staff and other officials adhere to standards of professionalism and ethics (individual accountability).

6. Over the past several years, UNFPA has made significant progress in the areas of accountability, assurance, risk management, internal controls and fraud prevention. The new risk management approach to oversight was commended and supported by the Executive Board and the professional community. As part of this process, the quality assurance review of audit services was validated by the Institute of Internal Auditors (IIA).

7. An independent Audit Advisory Committee (AAC) was established by UNFPA in 2006 to provide independent technical advice to the Executive Director in fulfilling her responsibilities.

8. The introduction of a charter for the UNFPA Division for Oversight Services (DOS) has enabled greater accountability and better assurance at UNFPA. To strengthen risk management capacity, UNFPA adopted a risk-based oversight programme incorporating programme impact-related issues; introduced several computer-based audit techniques and technologies that allow greater standardization and harmonization of work practices; developed a fraud policy and a policy against retaliation for reporting wrongdoing; conducted fraud awareness and risk assessment training workshops at all levels; and provided tools and methodologies enabling country teams to undertake fraud risk assessments and identify risk mitigation actions.

9. As mentioned in the UNFPA accountability framework document (see DP/FPA/2007/20), UNFPA has recently implemented a balanced scorecard (a management and accountability tool that defines clear baselines and targets for programme and management outputs). To improve the ability to measure its performance in the management results framework outlined in the strategic plan, 2008-2011 (see DP/FPA/2007/17), UNFPA has used a results-based budgeting (RBB) methodology for the development of the support budget for the next biennium, 2008-2009.

10. Also, as noted in the accountability framework document (DP/FPA/2007/20), UNFPA has instituted comprehensive control mechanisms covering the diverse areas of its operations with a range of detective and preventive control activities, including general controls and applications controls relating to UNFPA information systems. These controls are described in the UNFPA Financial Regulations and Rules and in the UNFPA Policies and Procedures Manual.

11. The UNFPA oversight policy presented below has been prepared with this background and scope in mind.

Part two

UNFPA OVERSIGHT POLICY

I. DEFINITIONS

12. For the purpose of the UNFPA oversight policy, the following definitions will apply:

- **Assurance process** means an objective examination of evidence for the purpose of providing an independent assessment on risk management, control or governance processes for the organization. Reasonable assurance means an acceptable and satisfactory level of confidence under given considerations of costs, benefits and risks. The assurance process alone, even when performed with due professional care, does not guarantee that all significant risks will be identified.
- **Accountability** means the obligation to demonstrate that work has been conducted with agreed rules and standards or to report fairly and accurately on performance results vis-à-vis mandated roles and/or plans, and thus refers to the process whereby UNFPA and its personnel are held responsible for their decisions and actions, including their stewardship of funds, fairness in all aspects of performance, in accordance with agreed rules and standards, and fair and accurate reporting on performance results vis-à-vis mandated roles and/or plans.
- **Business unit** means any operation or office, which is led by management. These units typically consist of field offices and UNFPA headquarters' divisions, branches and offices.
- **Confidential information** means:
  - documents intended for internal purposes only;
  - privileged information such as legal advice and correspondence with external legal advisers including any information, the disclosure of which might prejudice an investigation or any legal or regulatory proceedings, or subject the Fund to an undue risk of litigation;
  - information which, if disclosed, in the Fund's view would seriously undermine the policy dialogue with Member States or implementing partners;
  - information that, if disclosed, could violate the law, or prove a threat to the national security of a Member State or to the personal security and privacy of an individual;
  - information in the Fund's possession which was not created by the Fund and is identified by its originator as being sensitive and confidential, or when the originator legitimately has requested that its release be restricted;
  - information related to procurement processes, including pre-qualification information submitted by prospective bidders, tenders, proposals or price quotations (other than the total contract price), or records of deliberative processes, financial,

business or proprietary information of private entities received by the Fund, unless permission is given by those private entities to release this information.

- **Control activities** mean those policies and procedures which are established and implemented to help ensure that the necessary internal controls are effectively carried out.
- **Independence** means the necessary conditions of integrity and freedom from interference in determining the scope, performing functions and communicating findings of internal audit, evaluation and investigation activities. Any independent individual involved in such activities should have an impartial, unbiased attitude and avoid conflict of interest.
- **Internal control framework** means all the policies, procedures, monitoring and communication activities, standards of behaviour and other assurance activities to ensure orderly, ethical, economical, efficient and effective operations. It consists of five interrelated components: control environment; risk assessment; control activities; information and communications; and monitoring.
- **Internal control** means any action taken by Management, the Executive Board, and other relevant parties to enhance risk management and increase the likelihood that established objectives and goals are achieved.
- **Management** means the persons who control, lead and direct UNFPA or who are delegated the authority to do so.
- **Oversight** means the general process that refers to the review, monitoring, evaluation and supervision of the Fund's programmes, activities, and policy implementation to ensure organizational, financial, operational and ethical accountability.
- **Thematic evaluation** means an independent assessment of selected aspects or cross-cutting issues in different types of interventions that are crucial to UNFPA and its mandate.
- **Transparency** means the flow of timely and reliable financial, strategic, and programmatic information about UNFPA use of resources as well as about the activities of the Fund. In contrast, a lack of transparency may be described as deliberate withholding of access to and/or misrepresenting information or failure to ensure that the information provided is of adequate relevance or quality.

II. PURPOSE AND SCOPE

13. The purposes of the oversight policy are to ensure good governance, create the necessary environment of accountability and transparency in UNFPA, and ensure that the Fund's business operations are effectively carried out through continuous improvement.

14. The scope of the oversight policy is shaped by the following principles of good governance:

(a) The activities of the organization are fully in accordance with its legislative mandates;

(b) The funds provided to the organization are fully accounted for and in full compliance with project/programme agreements;

(c) The activities of the organization are conducted in the most efficient and effective manner, and duplications and inefficient use of resources are avoided;

(d) The staff and all other officials of the organization adhere to the highest standards of professionalism, integrity and ethics.

III. PRINCIPLES OF THE UNFPA OVERSIGHT POLICY

A. General principles

Application of oversight principles

15. UNFPA execution of oversight functions includes three essential elements that are designed to work as a comprehensive system which provides reasonable assurance that UNFPA activities are efficient and effective:

(a) An accountability framework holding management responsible for the efficiency and effectiveness of UNFPA programmes;

(b) A comprehensive, rigorous and transparent assurance system;

(c) UNFPA business units' oversight processes, such as inspections, periodic on-site reviews, programmatic monitoring, surveys and audits that review and evaluate programmes and management systems, as well as the validity of the on-site assurance system.

Legal framework

16. All oversight activities must strictly comply with the UNFPA Financial Regulations and Rules. The responsibility of oversight is granted on an individual basis and requires delegated authorities to adhere to the relevant portions of the controlling legal instruments. In the case of any inconsistency or ambiguity between them, the instruments must be applied in the following order of priority:

(a) Article 100 of the Charter of the United Nations;

(b) Staff Regulations and Rules of the United Nations and UNFPA;

(c) Financial Regulations and Rules of the United Nations and UNFPA;

(d) UNFPA oversight policy.

B. Delegation of authority

17. In accordance with the bulletin of the Secretary-General regarding the authority of the United Nations Population Fund in matters relating to human resources (ST/SGB/2004/10), the

Executive Director is accountable to the Secretary-General for the exercise of the authority delegated under this bulletin.

18. As set forth in the UNFPA Financial Regulations and Rules (Accountability, Regulation 3.1), the Executive Director is responsible and accountable for all phases and aspects of UNFPA financial activities. The Executive Director may further delegate authority to UNFPA personnel in accordance with Rule 103.1.

IV. OVERSIGHT ROLES AND RESPONSIBILITIES

19. The oversight roles and responsibilities encompass those related to assurance and accountability. Effective oversight results from the synergy between the respective roles and responsibilities of: Management; the Division for Oversight Services; the Audit Advisory Committee; the Ethics Office; the Executive Board of UNFPA; the United Nations Board of Auditors; and the United Nations Joint Inspection Unit.

20. A process of assurance is in place which examines and evaluates the adequacy and effectiveness of discharging these responsibilities, as follows:

(a) Internal audit, investigation and independent evaluation which examine and evaluate the adequacy and effectiveness of UNFPA processes, structure and controls, in order to provide reasonable assurance that these are functioning as intended;

(b) The Audit Advisory Committee which assists the Executive Director in fulfilling her oversight responsibilities;

(c) The United Nations Board of Auditors that has responsibility for undertaking independent audits of the Fund and certifying the financial statements.

A. Management

21. Management is responsible for the systems of governance, risk management, the internal control framework, the measurement of performance and the evaluation of results and impact. It is responsible for communicating results in a reliable, timely, accurate, open and transparent manner.

22. Management is also responsible for the implementation of the UNFPA accountability framework (as set forth in DP/FPA/2007/20) and of other applicable policies related to oversight activities. Management is accountable for exercising its oversight role in the particular areas of its responsibility. As part of its evaluation responsibilities, Management plans, organizes and directs the performance of sufficient actions to provide reliable information that goals, outcomes, outputs and results are achieved and have an impact on the intended beneficiaries.

B. Division for Oversight Services

23. The oversight roles and responsibilities of DOS, including the relevant professional standards applied to its functions are set forth in its charter approved by the UNFPA Executive Director. The oversight services provided by DOS cover internal auditing, fraud prevention and

detection, investigation, thematic evaluations and advisory services. DOS reports on internal audit and oversight activities annually and on evaluation activities biennially to the annual session of the Executive Board.

24. The scope of internal auditing includes the examination and evaluation of the adequacy and effectiveness of UNFPA governance processes, risk management processes, internal controls structure, and the quality of its performance in carrying out assigned responsibilities. These activities are carried out to provide reasonable assurance to the Executive Director, the Audit Advisory Committee and the Executive Board that these processes are functioning as intended to enable UNFPA to achieve its stated goals and objectives.

25. The scope of fraud prevention and detection includes the examination and evaluation of the adequacy and effectiveness of UNFPA internal controls to prevent and detect fraud. DOS conducts investigations into reports of violations of applicable regulations, rules and administrative or policy issuances, unless otherwise directed by the Executive Director and the Audit Advisory Committee in case of a conflict of interest. DOS investigations follow the procedures established for that purpose in the UNFPA policy on accountability, disciplinary measures and procedures.

26. The scope of the evaluation function includes: (a) verifying that programme strategies are relevant to the real needs of the ultimate beneficiaries and that UNFPA programmes and projects include all required and appropriate indicators and methodologies for measuring performance and impact; (b) verifying the measurement of the performance and impact of programmes and projects; (c) ascertaining compliance of programmes or projects with the UNFPA strategic plan; (d) reviewing the available expertise and capacity in UNFPA and amongst counterparts to manage for results and further develop capacity to do so; and (e) commissioning or performing thematic evaluations.

C. Audit Advisory Committee

27. An independent Audit Advisory Committee composed of five members was established in 2006 by the UNFPA Executive Director to further enhance accountability and transparency within the organization. Appointed by the Executive Director, the five members of the Audit Advisory Committee assist her in fulfilling the Executive Director's responsibilities for financial management and reporting, external audit matters, risk management, the systems of internal control and accountability, and the oversight process. The oversight roles and responsibility of the Audit Advisory Committee are set down in its terms of reference approved by the Executive Director.

D. Ethics office

28. The Ethics Officer is appointed by and reports to the Executive Director of UNFPA. The Ethics Officer provides the Executive Director with an annual report on his/her work. The Executive Director will forward a summary of this report to the Executive Board. Specific efforts will be pursued in support of one United Nations code of ethics and for coherence of ethics standards and policies.

29. The Ethics Officer has the following functions:

(a) Formulating, reviewing and disseminating policies, and providing guidance related to ethical issues in accordance with the common standards of conduct prescribed for all United Nations staff members;

(b) Providing guidance to management to ensure that the organization's policies, procedures and practices reinforce and promote the ethical standards called for under the United Nations Charter;

(c) Raising staff awareness within UNFPA on expected ethical standards and behaviour, within the context of the organizational oversight as well as human resources development policies, strategies and programmes;

(d) Providing staff with advice in confidentiality regarding ethical behaviour and standards;

(e) Receiving and reviewing, in accordance with the protection policy against retaliation of UNFPA, complaints of retaliation and referring cases to the respective competent and authorized units of UNFPA for further investigation when deemed necessary;

(f) Taking the responsibility for the strategic development and implementation of the financial disclosure programme.

E. Executive Board of UNFPA

30. The oversight roles and responsibility of the Executive Board of UNFPA are established by General Assembly resolutions 48/162 (1993) and 49/128 (1995).

31. The functions of the Executive Board as delineated in resolution 48/162 are:

(a) To implement the policies formulated by the General Assembly and the coordination and guidance received from the Economic and Social Council;

(b) To receive information from and give guidance to the Executive Director of UNFPA on the work of the organization;

(c) To ensure that the activities and operational strategies of UNFPA are consistent with the overall policy guidance set forth by the General Assembly and the Economic and Social Council, in accordance with their respective responsibility as set out in the Charter of the United Nations;

(d) To monitor the performance of the Fund;

(e) To approve programmes, including country programmes, as appropriate;

(f) To decide on administrative and financial plans and budgets;

(g) To recommend new initiatives to the Economic and Social Council, and through the Council, to the General Assembly as necessary;

(h) To encourage and examine new initiatives;

(i) To submit annual reports to the Economic and Social Council at its substantive session, which could include recommendations, where appropriate, for improvement of field-level coordination.

F. United Nations Board of Auditors

32. The oversight roles and responsibility of the United Nations Board of Auditors are set forth in General Assembly resolution 74 (1) of 7 December 1946 and in the rules and procedures adopted at the 49th Regular Session of the Board on 30 June - 1 July 2005, and amended at the 35th Special Session on 7 December 2005. The United Nations Board of Auditors' mandate and scope are further defined in Article VII and annex of the regulations and rules of the United Nations that apply mutatis mutandis to UNFPA as set forth in UNFPA Financial Regulation 17.1.

G. Joint Inspection Unit

33. The oversight roles and responsibility of the Joint Inspection Unit (JIU) are set forth in General Assembly resolutions 2150 (XXI) of 4 November 1966 and 2360 (XXII) of 19 December 1967 and extended thereafter under General Assembly resolutions 2735 (XXV) A of 17 December 1970 and 2924 (XXVII) B of 24 November 1972. By its resolution 31/192 of 22 December 1976, the General Assembly decided to establish the Joint Inspection Unit as a standing subsidiary organ and approved the statute of the Unit, with effect from 1 January 1978. In its resolution 60/258, the General Assembly has reaffirmed the role of the Unit as the only independent external oversight body of the United Nations system mandated to conduct evaluations, inspections and investigations system-wide. The Executive Director of UNFPA and the UNDP Administrator present a joint annual report to the Executive Board on the follow-up and the implementation by their respective organizations of the JIU recommendations.

V. ATTRIBUTES OF EFFECTIVE OVERSIGHT

34. The "tone at the top" regarding the expectations for orderly, ethical, economical, efficient and effective conduct from all UNFPA staff at all levels and at all times, set by the Executive Board and the UNFPA Executive Director, as part of the UNFPA management philosophy, operating style and organizational culture is the foundation for effective oversight.

A. Risk assessment and management

35. Management is responsible for continuously monitoring and reviewing changes in the environment; progress and constraints in achieving results; financial management and reporting; audit findings; and findings from major reviews and evaluations. This analysis should be

summarized into a risk assessment, which will be annually updated to evaluate new information regarding the likelihood of the materialization of risks.

B. Continuous improvement and lessons learned

36. Oversight processes help to identify ways to make business processes more efficient and effective through improved performance, including in the context of coherence within the United Nations system as per General Assembly resolution 59/250.

C. Responsibility and accountability for results

37. All UNFPA personnel are held accountable for the achievement of defined results within their respective areas of work. Every entity to which UNFPA entrusts funds for the implementation of activities assumes responsibility for implementing these activities and achieving expected results by formally signing a contractual agreement. All such contractees are responsible for complying with the terms of their agreement and for providing adequate assurances that their contracts are implemented in an effective manner.

D. Single audit principle

38. As set forth in the Report of the Secretary-General (A/48/587) dated 10 November 1993, the United Nations Board of Auditors, the external auditors of UNFPA, is solely responsible for the conduct of audits of the Fund. The United Nations Board of Auditors retains the exclusive right to carry out an external audit of the accounts and financial statements of UNFPA. If special reviews are required, the Executive Board, through UNFPA, should request the external auditors, to carry out specific examinations and issue separate reports on the results. The cost of such a special review will be borne by the requesting authority.

E. Financial disclosure

39. In accordance with General Assembly resolution 60/238: Human resources management, of 15 February 2006, and with the Staff Regulations 1.2 (m) and 1.2 (n), UNFPA staff members meeting the criteria for disclosure have an obligation to annually file the proper financial disclosure statement.

F. Transparency

40. Transparency and independence of the functions of the UNFPA Division for Oversight Services and of the Audit Advisory Committee are assured by the ability of DOS and the AAC to communicate with the Fund's governing bodies. Towards that end:

(a) The Director of the UNFPA Division for Oversight Services has free and unrestricted access to the Executive Board, the Audit Advisory Committee, the United Nations Board of Auditors and any other entity having any oversight or governing function in relation with

UNFPA. The Director of DOS presents an annual report on internal audit and oversight activities transmitted through the Executive Director to the Executive Board at its annual session. Management is responsible for ensuring that management responses are prepared for each specific internal and external audit recommendation. Management follows up on the status of the implementation on a regular basis. In addition, Management systematically reviews and addresses generic issues that arise from audit findings using a risk-based approach;

(b) Management provides a management response to the annual internal audit and oversight activities report presented to the Executive Board at its annual session. The management response includes an update on the implementation of internal audit recommendations. Also, at the first regular session of the Executive Board in January of each year, an update on the implementation of external audit recommendations is provided by Management. Finally, through the Annual Report, the Executive Director reports on the progress made on the management-for-results framework of the UNFPA strategic plan and addresses key issues in this area;

(c) The chairperson of the Audit Advisory Committee has free and unrestricted access to the Executive Board, the United Nations Board of Auditors and any other entity having any oversight or governing function in relation with UNFPA. The Audit Advisory Committee shall submit a report on its work for the previous year to the Executive Director by 31 March each year. This report will be made available to the Executive Board at its annual session.

41. In accordance with the decision of the United Nations System Chief Executives Board for Coordination (CEB), internal audit reports may be made available in situ for consultation to a Member State upon request to the Executive Director of UNFPA. In case confidential information is included in the report, the Executive Director shall remove it and replace it by the expression "Confidential information removed in accordance with the oversight policy of UNFPA approved by the Executive Board at its first regular session in 2008."

42. Notwithstanding the dispositions above, in exceptional circumstances, the Director of DOS may bring reports to the attention of the Executive Board, taking into account the standards and code of ethics contained in the Professional Practices Framework of the Institute of Internal Auditors (IIA).

G. Resources required for effective organizational oversight

43. The annual report on internal audit and oversight presented by the Director of DOS to the Executive Board will include a section on resources available and required for the implementation of this policy. The Executive Board will assure availability of required resources for UNFPA to implement this policy.

VI. APPROVAL OF THE POLICY

44. The present policy takes effect on the day of approval by the Executive Board with no retroactivity.

Part three

RECOMMENDATION

45. The Executive Board may wish to take note of the present report (DP/FPA/2008/4) and approve the UNFPA oversight policy contained therein.